

Message Text

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EXDIS

FOR UNDER SECRETARY ROBINSON FROM AMBASSADOR

E.O. 11652: GDS

TAGS: ENRG, CA

SUBJ: MACKENZIE VALLEY GAS PIPELINE: ARCTIC GAS PROJECT

1. WILLIAM H. CHRISTENSEN, AMERICAN NATURAL GAS COMPANY (MEMBER OF THE ARCTIC GAS PIPELINE CONSORTIUM), CALLED ON EMBOFF OCTOBER 28 AND 29. CHRISTENSEN IS CURRENTLY IN OTTAWA IN CONNECTION WITH OPENING OF NATIONAL ENERGY BOARD HEARING ON NORTHERN PIPELINE APPLICATIONS. HE IS A RETIRED U.S. FOREIGN SERVICE OFFICER WITH NUMBER OF CANADIAN POSTINGS OVER LONG PERIOD OF TIME AND CLAIMS NUMEROUS HIGH-LEVEL CLOSE PERSONAL CANADIAN CONTACTS, INCLUDING PRIVY COUNCIL PRESIDENT MITCHELL SHARP.

2. CHRISTENSEN ADVISED EMBOFF THAT HIS CANADIAN ENERGY CONTACTS (UNIDENTIFIED) HAVE TOLD HIM THAT ENERGY, MINES AND RESOURCES MINISTER GILLESPIE'S PLANNED VISIT TO WASHINGTON NEXT WEEK IS PRIMARILY TO "APOLOGIZE" TO USG FOR FURTHER OIL EXPORT CUTBACKS PLANNED FOR 1976.

3. CHRISTENSEN SAID THAT THESE CANADIAN ENERGY SECTOR CONTACTS HAVE URGED HIM TO CONVEY TO USG OFFICIALS THE NECESSITY OF "HITTING" GILLESPIE "HARD" ON NEED FOR EXPEDITIOUS AND FAVORABLE ACTION ON THE ARCTIC GAS CONSORTIUM
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PROJECT. ACCORDING TO THESE CONTACTS, GILLESPIE IS NOT YET

WELL BRIEFED ON THE PROJECT AND CONSEQUENTLY MAY NOT PRESENTLY BE AS FAVORABLE DISPOSED TO THE CONSORTIUM PROPOSAL AS NUMBER OF OTHER CANADIAN CABINET MEMBERS. CHRISTENSEN, WHO OBVIOUSLY HAS A VESTED BUSINESS INTEREST IN SEEING THAT THE CONSORTIUM PROJECT RECEIVES GOC APPROVAL, SAID THAT HE UNDERSTANDS THERE IS A STRONG RESERVOIR OF PRO-ARCTIC GAS PIPELINE SENTIMENT IN THE CABINET WHICH COULD BE TAPPED WERE GILLESPIE TO THROW HIS WEIGHT BEHIND IT.

4. COMMENT: EMBASSY CONCURS THAT THERE IS CONSIDERABLE AMOUNT OF PRO-ARCTIC GAS PIPELINE SENTIMENT IN GOC AND AT BOTH POLITICAL AND OFFICIAL LEVELS. ON THE OTHER HAND, AS DEPARTMENT AWARE, THERE ARE OTHER PRESSURES (ENVIRONMENT, NATIVE CLAIMS, SOCIO-ECONOMIC POLICY IN THE NORTHERN TERRITORIES) THAT INHIBIT ANY ATTEMPT TO EXPEDITE (READ "SHORT-CIRCUIT") NEB HEARINGS AND OTHER PROCEDURAL STEPS. IN EMBASSY'S VIEW, GOC IS MOST UNLIKELY TO FACT UP TO DECISION-MAKING UNTIL EITHER DOMESTIC REGULATORY AND ADVISORY PROCEDURES HAVE BEEN COMPLETED OR UNTIL IT IS CRYSTAL CLEAR THAT U.S. IS MOVING TO SOLUTION IN FAVOR OF ALL-AMERICAN EL PASO PROJECT. BY THE TIME THE LATTER SITUATION DEVELOPS IT MAY WELL BE TOO LATE FOR ANY GOC DECISION TO AFFECT OUTCOME. ALTHOUGH WE ARE NOT SANGUINE ABOUT POSSIBILITY OF GOC'S ACTING EXPEDITIOUSLY REGARDLESS OF GILLESPIE'S ATTITUDE, IF ADMINISTRATION HAS INTEREST IN KEEPING ARCTIC GAS OPTION OPEN DESPITE CANADIAN UNCERTAINTIES, IT WOULD BE ADVISABLE TO SPELL OUT SITUATION FOR GILLESPIE AS SEEN FROM WASHINGTON END DURING HIS NOVEMBER 7 VISIT. DISCUSSION WITH GILLESPIE SHOULD BE AIMED PARTICULARLY AT PROBING HIS VIEWS ON HOW GOC CONTEMPLATES DEALING WITH DIFFICULT DOMESTIC PROBLEMS OF WHICH LEGAL ACTION (REPORTED IN OTTAWA CITIZEN OF OCTOBER 28) BY ALBERTA INDIAN ASSOCIATION LAYING CLAIM TO 25,000 SQUARE MILES OF ALBERTA AND ATHABASCA OIL SANDS AREA (SEE CALGARY'S A-95) IS MOST RECENT EXAMPLE.

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